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Greek Public Administration Reform.

How to improve the effectiveness of strategic changes

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Abstract

Before the declaration of the economic crisis and the intervention of IMF in Greece, the Greek government decided to change the structure of public administration to the Greek geographic regions and peripheries. This paper attempts to analyze the management of this strategic change followed by the government and the public administration using as a tool the reactions of those employees who were affected directly by this change. In particular this paper examines the results of the eight steps proposed by Kotter on the implementation of a strategic change. The basic question of this research is to find out to what extend these steps were adopted by the top management as it is perceived by the public administrators who had to implement the change. Moreover we examined the possible relation of the use of the Kotter's steps with the level of acceptance of this strategic change and especially how the civil servants responded to this initiation to introduce strategic change. The results confirm that the Greek public administration has not still incorporated the management principles and remains a bureaucratic organization with limited use of vertical upward communication. The result of this context is the creation of a demotivated staff that is not willing to support changes and perceives changes with skepticism.

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1. Introduction

Public management in Greece faces one of its greatest challenges to change [1], as the economic crisis imposes its rules dictated by the IMF and EU officers [2]. Of course change in the public sector this is a topic which was discussed [3,4] earlier by the advocates of New Public Management (NPM) more than 30 years ago. The basic concept of NPM is to eliminate any possibility for the public servants to exploit their public authority for their own benefit. Instead, they must be dedicated to protect public interest and social wealth. This concept derives from the principles of NPM which can be grouped in the following five categories:

1. An emphasis on output controls,
2. the disaggregation of traditional bureaucratic organizations and
3. the decentralization of management authority,
4. the introduction of market and quasimarket mechanisms, and
5. customer-oriented services

This paper combines the above approaches with the model of strategic change as it is defined by Kotter [5,6,7] and examines the results in terms of effectiveness that the model has in the public sector reform. Numerous computational and theoretical methods have been developed over the past years in order to enhance the dynamics of systems with similar behaviours [8-22]

As the Greek public sector faces the phenomenon of low productivity due mainly to the interventions of politicians in the administration of public organizations [23] there is need for large scale change. The domination of the political system leads very often to crisis and low levels of effectiveness in the public sector [24,25]. Of course, public organizations' low productivity is an international phenomenon [26] and its roots are very complicated including culture and inherent factors that characterize one country or sometimes one region.

The need for change is obvious and this change must be strategic for long term results. Strategic change decisions will then lead to organizational reforms in order to improve the quality of the output and thus the competitive advantage of the public sector.

2. Strategic Change

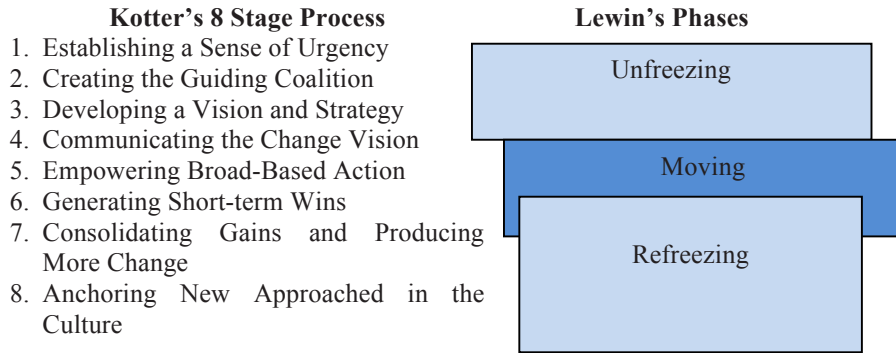
Corporate strategy is a topic that attracts the interest of many scientists with different point of views [27] which have diverse applications to human sciences. However, strategic change is also a more specific area of study which also has different approaches that can be classified [28,29] into two categories as follows:

1. The "Content" approach which analyzes the antecedents and the results of the strategic change based on direct and indirect knowledge.
2. The "Process" approach which is focused on the managerial activities to improve the effectiveness of the strategic change based on direct knowledge from case studies and data collection.

The definition of the strategic change that best matches to the needs of this paper is the one which has been put forward by Van de Ven & Poole [29] and perceive strategic change as the difference in the form, quality, or state over time in an organization's alignment with its external environment. The last part of the definition reflects the rules of the IMF and EU that must be followed by the Greek public organizations which now must change their form, quality and state in order to be more effective.

There are a number of change management models which can be applied to strategic change but there is lack in bibliography of the application of these models in the public sector. The most prevalent models are those of Lewin and Kotter but both of them share common characteristics and philosophy as it is depicted to the following table (table 1):

Table 1. Kotter's and Lewins Steps Comparison



Lewin's model has the consequent folding of three steps starting from *Unfreezing* then to *Moving* and finally to *Refreezing* [30]. However, Kotter's model is more analytical, refers to major changes in an organization and includes eight steps which can be analyzed as follows [31]:

1. Establishing a Sense of Urgency

- E Examining the market and competitive realities
- E Identifying and discussing crises, potential crises, or major opportunities

2. Creating the Guiding Coalition

- E Putting together a group with enough power to lead the change
- E Getting the group to work together like a team

3. Developing a Vision and Strategy

- E Creating a vision to develop the change effort
- E Developing strategies for achieving that vision

4. Communicating the Change Vision

- E Using every vehicle possible to constantly communicate the new vision and strategies
- E Having the guiding coalition role model the behavior expected of employees

5. Empowering Broad-Based Action

- E Getting Rid of Obstacles
- E Changing systems or structures that undermine the change vision
- E Encouraging risk taking and non-traditional ideas, activities, and actions

6. Generating Short-Term Wins

- E Planning for visible improvements in performance, or "wins"
- E Creating those wins
- E Visible recognizing and rewarding people who made the wins possible

7. Consolidating Gains and Producing More Change

- E Using increased credibility to change a systems, structures, and policies that don't fit together and don't fit the transformation vision
- E Hiring, promoting, and developing people who can implement the change vision
- E Reinvigorating the process with new projects, themes, and change agents

8. Anchoring New Approaches in the Culture

- E Creating better performances through the customer-and productivity-oriented behavior, more and better leadership, and more effective management
- E Articulating the connections between new behaviours and organizational success
- E Developing means to ensure leadership development and succession

3. Research Methodology

This research paper has tested Kotter's eight step model, as it is described above, in the Greek public sector. The field research conducted during winter of 2011. Finally, 92 public servants responded to the structured questionnaire of our study based on a 5-point Likert scale. The response rate was about 80% as the majority of the sample were colleagues of the researcher.

Public services belong to the Greek local government who shifted from a previous status called "Kalikratis" to a new one called "Kapodistrias".

The approach adopted to explore strategic change was mainly the "process" type change and partially the "content" type of change as it is focused on how the managers of public organizations deal with change and not the specific characteristics of change, for example in the case of mergers and acquisitions.

The effectiveness of this model was measured by employees' performance variation based on their own perception. Some parameters used to describe employees satisfaction and consequently performance related to job satisfaction, team work, communication and corporate resource exploitation. SPSS was used for the data analysis.

4. Results and Discussion

The data reliability analysis - Cronbach's Alpha – for Kotter's construct was at the level of 0.70 which is satisfactory enough for social researches [32]. Similarly, Cronbach's alpha coefficient at the level of 0.90 was calculated for employees' performance scale.

The following histogram (figure 1) represents the distribution of answers at a scale ranging from 1 to 60 (as the questionnaire consists of 12 questions at a five point scale). This index reflects the percentage of each step, proposed by Kotter, that is used by the management in the public organization during its reform or strategic change. This graphical distribution reveals the low level of usage across all steps as the average is 29, which is even lower from the median of the scale.

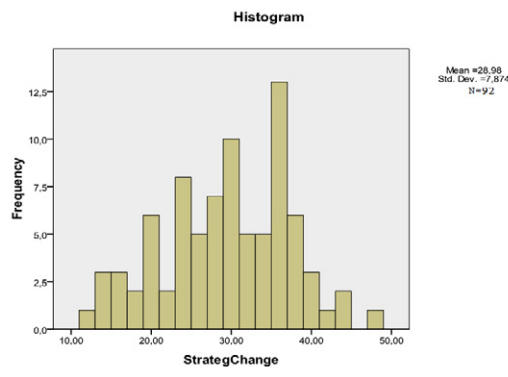


Figure 1. Degree of Exploitation of Kotter's Model

It was expected that due to the important role of strategic change in the local government, the management of change would be organized more carefully in order to be accepted by employees. The levels of mean and median point out lack of strategic planning in the public sector. Moreover, the lack of planning is obvious in strategic change management.

Statistical analysis reveals a high positive correlation (Spearman's rho coefficient = 0.452 , $p < 0.001$) between:

- E The management of the strategic change as it is defined by Kotter's eight steps and
- E Organizational performance based on employees' performance after the implementation of change – reform.

The conclusions of the above analysis are as followed:

1. The NPM requires the application of private sector managerial practices in order to be effective.
2. The importance of “customer orientation” in NPM has to be embraced by the public servants in order to provide services of high quality. Yet, past OB literature in Greece have provided supporting evidence for the interplay between customer satisfaction, customer loyalty and service quality in both public [33] and private sectors [34,35].
3. The current situation in Greek public management has plenty of room for improvements. This argument about the effectiveness of public management has been confirmed also in other contexts, such as higher education [36,37].
4. The continuous changes in Greek public sector due to IMF and ECB directorates are an excellent opportunity to identify best practices in strategic change management.
5. Kotter's eight step model is proved to be of high value for the Greek public sector and has to be adopted by the managers in public organizations.

Taking into consideration the above results and conclusions, we propose the following:

1. The study confirms that the market mechanisms can be used successfully both in public sector organizations.
2. The traditional bureaucratic management must not be abandoned for the requirements of flexibility and innovation or change but change and innovation must be built on a bureaucratic infrastructure in order to be effective in the public context.
3. Public organizations reforms have to use those models which dominate management science such as the Kotter's steps for strategic change.
4. Public sector servants and management staff must participate and be open to such research initiations as it is for the benefit for both parties: Public and Private.

An excellent example of strategic change is the reform attempted in the Greek higher education system by the introduction of a national quality assurance system. Since education, science, technology and human resources became crucial factors for economic growth and social progress, Greek higher education system may provide the necessary foundations for the quest of a sustainable competitive advantage. In supporting this argument, several organizations pursue a robust Research and Development (R&D) strategy, which drives innovation performance and organization's effectiveness, especially in a turbulent and dynamic environment [38].

Although, Greece invests only 0.58% of GDP for Research and Development and the vast majority of the R&D expenditures take place in Higher Education Institutions (HEIs) (more than 50%), Greece in comparison with other countries possesses high calibre scientific personnel in the field of research [39]. In particular, Greek academic system ranked 6th and 18th among all EU-27 countries referring to the number of publications and citations respectively as a proportion of the total expenditure on R&D by HEIs, and 17th among the OECD states, regarding the number of scientific publications per million population [39].

Drawing from a sample of faculty and administration staff, Trivellas and Dargenidou [36] revealed that organizational culture, leadership style and job satisfaction play a crucial role in the successful introduction of quality assurance and evaluation systems in the Greek tertiary education. It is interesting that while the culture of this public organization (HEI) was dominated by uniformity, stability and bureaucratic values on the expense of innovativeness and creativity, the latter values contributed most to the improvement of all aspects of higher education service quality. Furthermore, institute's culture was characterised by low levels of goal achievement, productivity, task accomplishment, planning and efficiency, which suffocates organizations' ability to adapt and change successfully. Still, a leadership style mainly associated with two contradictory roles; those are the innovator (promoting innovation, intrapreneurship and adaptation) and the monitor (supporting monitoring, planning and compliance) create the necessary conditions that cultivate and foster a quality and adaptive culture [22]. Thus, given that these transformations of public organizations often meet employee resistance to change, their success lies in its ability to adopt the suitable leadership style and to provide an overall culture for change through its various decision-making systems, operating systems, and human resource practices [36,37].

Hence, it is clear that the most important element to consider for the successful implementation of a strategic change is human resources [40] which are the blood of any organization. For example, organizational members' fear of change, stress, insecurity and loss of morale were proved to significant factors for the successful merge of two banks with public and private ownership. Under this logic, a growing body of evidence suggests a vital role for employees' motivation, satisfaction and commitment determining job performance and service quality which, in turn, affect innovation performance, customer satisfaction and loyalty [43,44,45]. Yet, Kotter's model can be applied both in public organizations with great success and in private organizations [46].

Finally, the lack of management and leadership practices and initiations denotes that in a public organization there is plenty of room for improvements especially from the managerial and leadership point of view [47,48].

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